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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

HENRY RAMSEUR, Derivatively on behalf
of CALLIDUS SOFTWARE INC., a
DELAWARE CORPORATION,

Plaintiff,

v.

GEORGE JAMES, R. DAVID SPRENG,
TERRY L. OPDENDYK, MICHAEL A.
BRAUN, JOHN R. EICKHOFF,
CHRISTOPHER W. CABRERA and REED
D. TAUSSIG,

Case No. C 04-4419 SI (JCS)

**ORDER GRANTING PRELIMINARY
APPROVAL OF DERIVATIVE
ACTION SETTLEMENT AND
DIRECTING MAILING OF NOTICE**

Defendants.

– and –

CALLIDUS SOFTWARE INC., a
DELAWARE CORPORATION,

Nominal Defendant.

This matter came before the Court on August 11, 2006 for preliminary approval of the proposed settlement (the “Settlement”) in this derivative action described in the Stipulation of Settlement, dated as of August 11, 2006 and filed with the Court on August 11, 2006.

The Court having read the Stipulation and having concluded that the Settlement described in the Stipulation appears, subject to the Final Approval Hearing described below and any further papers filed in connection therewith, to be fair, reasonable and adequate and in the best interests of Callidus Software Inc. (“Callidus”), and good cause appearing therefor, it is hereby ORDERED as follows:

1. Pursuant to Rule 23.1 of the Federal Rules of Civil Procedure (“Rule 23.1”), the Court preliminarily approves the Settlement described in the Stipulation, subject to further consideration at the Final Approval Hearing described below.

2. A hearing (the “Final Approval Hearing”) shall be held before this Court on October 27, 2006 at 9:00 a.m. to determine whether the proposed Settlement on the terms and conditions described in the Stipulation is fair, reasonable and adequate and is in the best interests of Callidus and should be finally approved, and whether the Final Judgment described in the Stipulation should be entered. The Court may adjourn the Final Approval Hearing without further notice to Callidus shareholders.

3. The Court approves as to form and content the Settlement Notice attached as Exhibit C to the Stipulation and directs Callidus, at its expense, to mail the Settlement Notice to Callidus shareholders of record on or before August 11, 2006. The Court finds that said mailing, and its posting on the investor relations section of the Callidus website, as provided in

1 the Stipulation, constitutes due and adequate notice under Rule 23.1 and satisfies the requirements
2 of due process. Not less than five days before the Final Approval Hearing, Callidus shall file with
3 the Court and serve on Plaintiffs' Counsel a declaration attesting that the Settlement Notice was
4 duly mailed and posted in accordance with this Order.

5 4. Pending final determination of whether the Settlement should be approved,
6 this action is stayed in all respects other than steps directed to consummation of the Settlement,
7 and plaintiff shall not commence or prosecute any action or proceeding on behalf of Callidus or
8 against any of the parties to be released by the Stipulation.

9 5. Any Callidus shareholder may appear at the Final Approval Hearing and
10 show cause, if any, why the proposed Settlement should or should not be finally approved;
11 provided, however, that no shareholder will be heard unless, at least 10 days before the Final
12 Approval Hearing, he or she has filed with the Court a written statement of his or her position,
13 together with any supporting papers, showing proof of service of the papers on Juden Justice
14 Reed and William F. Alderman at the addresses provided in the Settlement Notice. Unless
15 otherwise directed by the Court, any Callidus shareholder who has not made an objection to the
16 Settlement in the manner described above will be deemed to have waived it.

17 6. All papers in support of the Settlement shall be filed with the Court and
18 served on all counsel no less than seven days prior to the Final Approval Hearing.

19 Dated: August 11, 2006

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21 United States District Judge